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The Honorable Senator Leone
The Honorable Representative Tong
Co-Chairmen, Joint Committee on Banks
Legislative Office Building, Room 2400
Capitol Avenue
Hartford, Connecticut 06106

Dear Senator Leone, Representative Tong and esteemed Members of the Banks Committee:

Thank you very much for the opportunity to testify before you today in support of **House Bill 5470, An Act Requiring a Sales and Use Tax Exemption for Sales to Connecticut Credit Unions.**

I am the President/CEO of Personal Care America Federal Credit Union located in Trumbull serving employees of the Unilever Corporation, the students, faculty and employees of Fairfield University and the employees of the City of Ansonia along with about a dozen small employee groups.

My credit union has determined that if we are to survive we will need to double in size over the next five (5) years. One of the options under consideration is to convert to a state charter. A major drawback to doing so is the state sales tax issue.

In 2013 my credit union spent over \$75,000 in opening two (2) new branches, adding three (3) ATMs, and on introducing new products. We have budgeted a like amount in 2014 for technology upgrades. A requirement to pay sales tax would certainly cause us to think twice about these expenditures. As an example of the impact the sales tax would have had on us I offer the following:

As part of our 2013 expenditures we deployed three (3) new ATMs at a cost of approximately \$3,750 per machine. Based on our total spending referenced above we would have had to cut one of the machines in order to stay within budget if we had been required to pay sales tax (approximate tax liability of \$3,950).

Our members, your constituents, are the benefactors of our ability to purchase all 3 machines.

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This same group will suffer however if we are not able to pursue all possible growth options because of the differences between the state and federal credit union charters.

There is a less obvious consequence to the disparity between the charters. Small credit unions continue to struggle with many opting to merge or liquidate. As a select employee group or SEG based credit union we are able to help other SEG based credit unions but not community based ones.

Over the last 12 months we have helped 2 credit unions that were going to liquidate not only continue to serve their members but to provide them with expanded products and services. Unfortunately there were 2 others who served single towns as community based credit unions that we were unable to help because we can not be involved with a community based field of membership. If we converted to a state charter with a community based field of membership we would be able to help both types of credit unions. This option is far less appealing with the requirement that we pay sales tax.

I respectfully ask that you support passage of **HB 5470** not only to bring parity to both the state and federal charters but also to give Connecticut's credit unions greater flexibility in meeting the needs of the residents of Connecticut.

Sincerely,

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